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**FISCAL IMPACT STATEMENT**

**LS 7032**

**BILL NUMBER:** SB 354

**NOTE PREPARED:** Feb 24, 2006

**BILL AMENDED:** Feb 23, 2006

**SUBJECT:** Forestry issues.

**FIRST AUTHOR:** Sen. Weatherwax

**FIRST SPONSOR:** Rep. Ulmer

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill allows land to be classified as wildlands for purposes of property taxation. It requires a classified forest plantation to have at least 400 trees per acre. It requires a classified native forest land to have at least 1,000 trees per acre. The bill removes the requirement that certain open areas must be excluded from the classified land. It prohibits certain non-timber crops from being cultivated on classified land. It establishes procedures and requirements for revised applications for classified lands. The bill establishes penalties for withdrawal from the classified land program. It provides that environmental impact statements do not apply to forestry management practices of the division of forestry. It establishes the Forest Restoration Fund. It amends the definition of "merchantable timber". The bill repeals (1) provisions concerning assessment of classified lands; (2) the assessment of certain wildlife habitats; and (3) the prohibition of certain reclamation sites from enrolling in the classified land program. The bill transfers land classified as wildlife habitats to land classified as wildlands.

The bill provides that a county legislative body may allow more than \$1,000 to be distributed to volunteer fire departments from timber sales.

**Effective Date:** Upon passage; July 1, 2006.

**Explanation of State Expenditures:** *Department of Natural Resources (DNR).* The bill changes the criteria for classified lands. As a result, new lands may be added or lands in the current program may be deleted. The DNR administers the classified programs and must furnish forms necessary to change classifications. The DNR may experience an increase in administrative costs associated with applications for changes or revised applications to the program. The DNR should be able to cover any additional expenses.

*Environmental Impact Statement.* The bill provides that the DNR division of Forestry does not have to complete an environmental impact statement. This provision should reduce expenses for the division by an indeterminable amount.

*Natural Resources Commission (NRC).* The NRC may adopt rules under the provisions of the bill. The NRC should be able to adopt rules given its existing resources and staff.

*Department of Local Government (DLGF).* The DLGF will need to adjust rules in order to provide for the new classification of land. The DLGF should be able to adopt rules given its existing resources.

**Explanation of State Revenues: Property Taxes.** The State levies a small tax rate for State Fair and State Forestry. Any change in the assessed value base will change property tax revenue collected for these two funds. If more land is classified, then the bill would reduce revenue for these funds. If less land is classified as a result of the bill, then revenue for these funds would increase. The specific impact is indeterminable although it is likely that fewer lands will be classified.

*Forest Restoration Fund.* The bill creates the fund which is to be administered by the Indiana Natural Resources Foundation. The fund consists of penalties (outlined below) and gifts. The amount of revenue that will be generated from penalties and gifts is indeterminable. Expenditures from the fund may be made for restoration, conservation, and improvement of lands classified as native forest land, forest plantations, or wildlands, and approved by the state forester. Expenses of administering the wildlands classification program are to be paid from money in the fund. Money in the fund at the end of a state fiscal year remains in the fund and does not revert to any other fund. If the foundation is terminated, the money in the fund reverts to the DNR.

**Explanation of Local Expenditures:**(Revised) *Timber Sales:* The bill provides that a county legislative body may allow more than \$1,000 to be distributed to volunteer fire departments from timber sales.

*Background:* IC 14-23-4-5 provides that 85% of the net receipts from timber sales must be deposited in the State Forestry Fund and that 15% must be deposited in the general fund of the county in which the state forest is located. Of the payments made to each county, 50% must be equally distributed to the volunteer fire departments within the county that have a cooperative lease agreement or contract with the Division of Forestry. However, each fire department is limited to receiving a maximum annual distribution of \$1,000.

Timber sales for the past four years are listed below.

State Forest Timber Sales				
Fiscal Year	Harvested Acres	Revenue	Board Foot Volume Sold	Trees Sold
2000-2001	1,287	\$572,340	1,931,046	8,712
2001-2002	844	\$386,369	1,245,926	6,064
2002-2003	1,998	\$1,096,377	3,458,199	15,926
2003-2004	1,660	\$897,313	3,422,287	17,475

**Explanation of Local Revenues:** *Penalty.* The current penalty for withdrawal of classified land is equal to the sum of the total property taxes that would have been assessed plus interest at the rate of 10% per year. The bill adds a penalty of \$100 per withdrawal plus \$50 per acre, unless an amount is established by rule by the Natural Resources Commission. However, the Commission may not increase the penalty more than once every five years.

Under existing law, penalties are paid into the county general fund. The proposal provides that 75% of the new additional penalty must be transferred by the county auditor to the Treasurer of State who must deposit the amount in the Forest Restoration Fund. The remaining 25% plus the taxes and interest collected must be deposited by the county auditor into the county general fund. The amount of additional revenue that will be generated is indeterminable.

*Property Taxes.* The bill could result in a change in the total assessed value for local units. Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced or increased by the product of the fund rate multiplied by the assessed value amount that is newly classified or de-classified as a result of this bill.

**State Agencies Affected:** State Fair, State Forestry, DLGF, DNR.

**Local Agencies Affected:** Counties; Volunteer Fire Departments.

**Information Sources:** DNR.

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